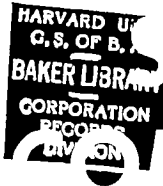




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# AMERICAN TORES PANY



*Annual Report*

For the fifty-two weeks ended March 31

*1951*



## Officers

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*President* . . . . . WILLIAM PARK  
*Vice-President and  
General Manager* . . . . . FRED J. HEANEY  
*Vice-President* . . . . . FRED W. JOHNSON  
*Vice-President* . . . . . WM. H. EDEN  
*Vice-President* . . . . . JAMES K. ROBINSON, JR.  
*Vice-President* . . . . . A. J. FAULHABER  
*Assistant to the President* . . . . . S. A. GOULD  
*Secretary* . . . . . E. A. COLSON  
*Treasurer* . . . . . JOHN R. PARK  
*Assistant Treasurer and  
Assistant Secretary* . . . . . S. C. ARCHER  
*Assistant Secretary* . . . . . J. V. KEERS

## Directors

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✓ SAMUEL ROBINSON	✓ WILLIAM GOULD
✓ JOSEPH GILFILLAN	✓ FRED J. HEANEY
✓ WILLIAM PARK	✓ JAMES M. SKINNER
✓ E. J. FLANIGAN	✓ JAMES K. ROBINSON, JR.
✓ JOHN M. HANCOCK	✓ THOMAS H. SHERRARD

## AMERICAN STORES COMPANY

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424 North Nineteenth Street, Philadelphia 30, Pa.

# AMERICAN STORES COMPANY

## and Subsidiary Companies

### Five Years' Summary

	52 Weeks ended		Year ended December 31		
	March 31, 1951	April 1, 1950†	1948	1947	1946
Sales.....	\$469,771,090	\$416,644,432	\$417,466,738	\$388,613,836	\$314,574,528
Profit before					
Taxes on Income...	14,364,748	10,923,520	9,432,821	9,954,888	14,103,948
Federal and State					
Taxes on Income...	7,250,000	4,180,000	3,770,000	4,030,000	5,807,000
Net Income.....	7,114,748	6,743,520	5,662,821	5,924,888	6,001,348*
Per Share:					
Earnings.....	\$5.46	\$5.18	\$4.35	\$4.55	\$4.61*
Dividends.....	2.00	1.70	1.75	1.75	1.20
Stockholders' Equity:					
Total.....	54,958,236	50,416,128	44,108,342	40,722,831	37,075,253
Per Share.....	42.23	38.76	33.89	31.29	28.49
Current Assets.....	70,675,951	56,865,373	55,395,730	56,106,502	47,783,604
Current Liabilities...	23,884,900	17,471,011	16,516,246	16,309,740	21,808,569
Working Capital.....	46,791,051	39,394,362	38,879,484	39,796,762	25,975,035
Long-term Debt.....	25,000,000	15,057,293	15,171,879	15,229,172	286,465
Number of Retail Stores at Year-end:					
Self-service Super Markets.....	773	765	761	708	665
Other Stores.....	732	872	1,072	1,213	1,347
Total Stores.....	1,505	1,637	1,833	1,921	2,012

† The short period (from January 1 to April 2, 1949) of transition from a calendar year to a fiscal year is not included in the foregoing summary. Earnings for such period amounted to \$1,486,281, or \$1.14 per share.

\* After provision of \$2,295,600 for employees' retirement benefits, but before provision of \$1,500,000 for possible inventory price declines. The latter amount was transferred to earnings retained for use in the business on April 1, 1950.

## **TO THE STOCKHOLDERS**

The Annual Report of your Company for the fifty-two week period ended March 31, 1951 is presented herewith, including a consolidated balance sheet, a consolidated statement of income and retained earnings for the year, comparisons in each case with the fifty-two week period ended April 1, 1950 and the report of our auditors, Peat, Marwick, Mitchell & Co. The accounting practice of Barrow, Wade, Guthrie & Co. was combined with that of the first mentioned firm as of November 1, 1950.

### **Sales, Earnings and Dividends**

Total sales of \$469,771,090 for the fiscal year ended March 31, 1951 were the highest in the Company's history, exceeding the preceding year's sales of \$416,644,432 by 12.8%. More than half of the gain in sales dollars was accounted for by increased tonnage handled.

Net income amounted to \$7,114,718, or \$5.46 per share as compared to \$6,743,520, or \$5.18 per share for the year ended April 1, 1950. Provision for Federal and State income and excess profits taxes for the fiscal year amounted to \$7,250,000, or \$5.57 per share. In the year ended April 1, 1950, Federal and State income taxes totaled \$4,180,000, or \$3.21 per share. For the last three quarters of the year ended March 31, 1951 the Federal excess profits tax and an increased rate of Federal income tax were in effect. The Federal excess profits tax will be in full effect during the year beginning April 1, 1951, as well as an additional increase in the rate of Federal income tax and, according to press reports, it is likely that tax rates will be further increased during the coming year.

Quarterly dividends totaling \$2.00 per share were paid during the year as compared with \$1.70 in the preceding year.

### **Plant Additions and Improvements**

During the fiscal year additions and improvements amounted to \$9,364,531; provision for depreciation amounted to \$2,688,641.

Construction of the new warehouse and bakery in Philadelphia is progressing and operations are expected to begin by the end of the calendar year. The warehouse will be one of the largest and most completely equipped food plants in the country, while the bakery represents the first fully automatic plant of this type to be built. A drawing of this project appears on page 8.

At the end of the year work had started on an addition to the Company's warehouse and office in Baltimore which will increase floor space by 67,000 square feet, or about 35%.

The coffee mill in Cartago, Colombia has been completed by the Company's subsidiary, United States Coffee Corporation, and milling operations have recently commenced at this plant.

## Store Operations

The store modernization and expansion program was continued during the year. There were 60 new stores opened and 192 smaller stores closed which reduced the total number of units in operation to 1,505. In addition, many older stores were modernized and new equipment and fixtures installed. This program will be continued during the coming year to the extent that conditions justify and government restrictions permit.

## Financing

During the year the Company borrowed an additional \$10,000,000, at a 3% rate of interest, bringing total long-term indebtedness to \$25,000,000, all of which is payable to the Metropolitan Life Insurance Company. The entire debt matures on August 1, 1967, with required prepayments beginning August 1, 1954 at the annual rate of 4½% of the original principal amount. The purpose of the financing was to provide funds for additional facilities and the working capital needs of our expanding business.

## Working Capital

As of March 31, 1951 current assets exceeded current liabilities by \$46,791,051 and the current ratio was 2.96 to 1. Following is an analysis of changes in working capital:

	52 Weeks ended Mar. 31, 1951	Jan. 1, 1946 to Mar. 31, 1951
SOURCES OF WORKING CAPITAL:		
Income.....	\$ 7,114,748	\$32,933,606
Add charges to income not requiring funds:		
Depreciation of plant and equipment and amorti- zation of leasehold improvements.....	3,030,363	11,635,511
Provision for employees' retirement income bene- fits.....	—	2,295,600
Other.....	—	99,491
Proceeds of long-term borrowing.....	10,000,000	25,000,000
Miscellaneous additions.....	12,196	113,773
	<u>20,157,307</u>	<u>72,077,981</u>
USES OF WORKING CAPITAL:		
Expended for plant and equipment and leasehold im- provements, less sales proceeds.....	10,131,337	33,016,600
Payments charged to provision for employees' retire- ment income benefits.....	251,859	1,397,058
Liquidation of purchase obligations.....	57,293	343,758
Increase (decrease) in prepaid insurance, taxes, etc....	(282,511)	967,129
Cash dividends paid.....	2,602,640	11,386,550
	<u>12,760,618</u>	<u>47,111,095</u>
Net increase.....	<u>\$ 7,396,689</u>	<u>\$24,966,886</u>

In connection with the increase in working capital shown above, it should be pointed out that during the period from January 1, 1946 to March 31, 1951 inventories increased to the extent of \$29,221,355.

## **Employee Relations**

Increased attention was given to that phase of the Company's training program whereby supervisory employees are given courses emphasizing the responsibilities of leadership. Such courses are in addition to the general training program through which employees learn performance standards pertaining to their particular duties.

Employee benefits include a Group Life Insurance Plan and an Accident and Health Plan. Both of these plans are offered at low rates on a voluntary basis, except where state laws make participation compulsory, and the Company pays part of the cost.


At the year-end 241 retired employees were receiving retirement income payments under the Supplementary Employees Retirement Plan and 69 others were receiving income under the early retirement provision of the Employees Retirement Plan.

Payments to the Equitable Life Assurance Society with respect to the Employees Retirement Plan totaled \$1,300,571 in the past fiscal year, \$677,498 being the Company's portion of the current cost, and the balance of \$623,073 representing approximately 20% of the initial past service liability, all of which is borne by the Company.

The cooperation, loyalty and enthusiasm of the men and women of our companies have contributed greatly to the satisfactory results of the year.

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It is too early to ascertain the effect that government price controls and restrictions will have upon our business. Undoubtedly, the uncertainties of the present world situation will give rise to many problems which our organization can face with confidence.

  
President

May 31, 1951.

# American Stores Company and Subsidiary Companies

## Consolidated Statement of Income and Earnings Retained for Use in the Business

### INCOME ACCOUNT

	52 Weeks ended	
	March 31, 1951	April 1, 1950
SALES		
Retail Stores.....	\$460,285,216	\$408,708,984
Other.....	9,485,874	7,935,448
	<u>469,771,090</u>	<u>416,644,432</u>
COST OF SALES AND OPERATING EXPENSES		
Cost of Merchandise Sold, including Warehousing and Transportation Expenses.....	391,957,526	348,444,603
Wages, Rents, Advertising, Operating and Administrative Expenses.....	60,264,458	54,497,697
Depreciation.....	2,688,641	2,375,613
	<u>454,910,625</u>	<u>405,317,913</u>
PROFIT FROM OPERATIONS.....	11,860,465	11,326,519
Interest on Loans, etc.....	522,918	461,621
Less: Miscellaneous Income.....	27,231	58,622
	<u>495,717</u>	<u>402,999</u>
PROFIT BEFORE TAXES ON INCOME....	11,364,748	10,923,520
Federal and State Taxes on Income (including \$867,000 excess profits tax for the period ended March 31, 1951)....	7,250,000	4,180,000
NET INCOME.....	<u>\$ 7,114,748</u>	<u>\$ 6,743,520</u>

### EARNINGS RETAINED FOR USE IN THE BUSINESS

Balance at beginning of period.....	\$ 32,437,573	\$ 25,630,606
Net Income for period.....	7,114,748	6,743,520
Transfer of Provisions for Possible Inventory Price Declines and General Contingencies.....	—	2,275,691
	<u>39,552,321</u>	<u>34,649,817</u>
Dividends:		
\$2.00 per share.....	2,602,640	
1.70 per share.....		2,212,244
BALANCE AT END OF PERIOD.....	<u>\$ 36,949,681</u>	<u>\$ 32,437,573</u>



# American Stores Company

Consolidated

## ASSETS

	March 31, 1951	April 1, 1950
<b>CURRENT ASSETS</b>		
Cash.....	\$15,057,378	\$12,116,172
U. S. Government Securities — at cost which approximates market value.....	996,540	2,492,975
Accounts Receivable.....	2,318,464	1,528,439
Inventories—at lower of cost or market.....	52,303,569	40,727,787
<b>TOTAL CURRENT ASSETS.....</b>	<b>70,675,951</b>	<b>56,865,373</b>
Mortgages, etc.....	204,280	216,176
 Land, Buildings, Machinery, Equipment and Fixtures—at cost.....	 17,067,369	 38,951,290
Less: Accumulated Depreciation.....	16,469,454	14,563,194
	<b>30,597,915</b>	<b>24,388,096</b>
Unamortized Cost of Leasehold Improvements....	2,068,092	1,176,937
Goodwill.....	1	1
Prepaid Insurance, Taxes, etc.....	1,195,440	1,477,951
	<b>\$104,741,679</b>	<b>\$84,124,834</b>

### NOTES TO FINANCIAL STATEMENTS:

**NOTES PAYABLE, DUE 1954-67:** The notes are due August 1, 1967, subject to repayment beginning August 1, 1954 at the rate of 4½% annually of the principal sum borrowed. Interest on \$7,500,000 is at the rate of 2⅞% per annum and on the remaining \$17,500,000 at 3% per annum. The notes contain restrictions as to the payment of cash dividends on common stock and the reacquisition and retirement of shares of stock of the Company. Of the earnings retained for use in the business at March 31, 1951, an amount of \$18,107,292 is free of the said restrictions.

**COMMITMENTS:** At March 31, 1951 the Company and its subsidiaries had 586 leases expiring more than three years after that date. Such leases call for minimum annual rentals totaling \$3,546,000, of which about 82% relates to leases expiring within 10 years and the balance relates to leases expiring in from 10 to 15 years.

Commitments outstanding at March 31, 1951 for construction of buildings and for equipment aggregated approximately \$6,612,000.

# and Subsidiary Companies

## Balance Sheet

### LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1951	April 1, 1950
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Charges.....	\$15,234,159	\$12,077,333
Accrued Federal and State Taxes.....	8,650,741	5,393,678
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>23,884,900</b>	<b>17,471,011</b>
 Purchase Obligations.....	 —	 57,293
Notes Payable, due 1954-67.....	25,000,000	15,000,000
 Provision for Employees' Retirement Income Benefits.....	 898,543	 1,150,402
 <b>STOCKHOLDERS' EQUITY</b>		
Common Stock—no par value		
Authorized—1,500,000 shares		
Issued and Outstanding—1,301,320 shares....	18,008,555	18,008,555
Earnings Retained for Use in the Business.....	36,949,681	32,437,573
	54,958,236	50,446,128
	<b>\$104,741,679</b>	<b>\$84,124,834</b>

### ACCOUNTANTS' REPORT

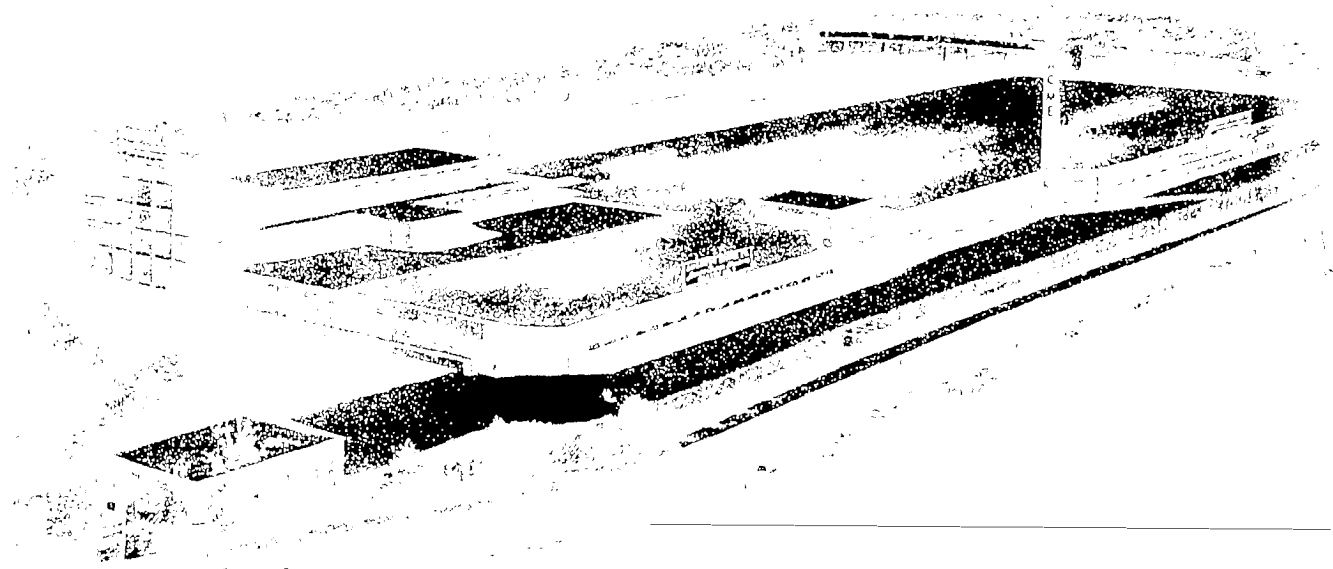
TO THE BOARD OF DIRECTORS,  
AMERICAN STORES COMPANY.

We have examined the consolidated balance sheet of American Stores Company and its subsidiary companies as of March 31, 1951 and the related consolidated statement of income and earnings retained for use in the business for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and earnings retained for use in the business present fairly the consolidated financial position of American Stores Company and its subsidiary companies at March 31, 1951, and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Philadelphia, Pa.  
May 23, 1951

PEAT, MARWICK, MITCHELL & CO.



### DRAWING OF NEW WAREHOUSE AND BAKERY

This building is being erected on a 34 acre tract at 59th Street and Upland Way, Overbrook, Philadelphia, adjoining the main line of the Pennsylvania Railroad, and has a total floor area of approximately 750,000 square feet.

The warehouse includes an enclosed siding for incoming shipments that will accommodate 22 freight cars. A truck dock is being installed which will permit the simultaneous loading of 83 trucks for distribution of merchandise to the stores.

In the design of the bakery, sanitation is the keynote, and operations will be automatic from the receiving of raw materials to the finished product. Most of the raw materials will be conveyed by a pneumatic system from bulk freight cars to 20 storage silos which are 90 feet high.

## **TRANSFER AGENTS**

The Pennsylvania Company for Banking and Trusts  
Philadelphia, Pa.

\*Bankers Trust Company  
New York, N. Y.

## **REGISTRARS**

Liberty Title & Trust Company  
Philadelphia, Pa.

City Bank Farmers Trust Company  
New York, N. Y.

\* *The Commercial National Bank and Trust Company, which served as Transfer Agent, was merged into Bankers Trust Company.*

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